

CIA to keep its eye on Casey's portfolio of stocks, bonds

WASHINGTON (AP)—The CIA has established a "screening arrangement" to keep tabs on Director William Casey's stock transactions and to prevent him from official steps that would enhance his holdings.

The system allows Casey to buy or sell stocks at his discretion.

CIA officials said the new arrangement took effect May 28, after Casey reported selling more than \$600,000 in oil stocks in 1981, a year oil stock prices plummeted in response to a worldwide glut.

The CIA director is among a handful of top officials who have broad access to U.S. intelligence information, including secret estimates of world oil supplies. Casey is the only senior Reagan official with such access who neither set up a blind trust nor divested some holdings before taking office.

The new screening arrangement, which was approved by the Office of Government Ethics, requires that the deputy director and other senior CIA officials be furnished regularly with a list of Casey's stock transactions. Any of these officials who spots a potential conflict is to bring the matter to deputy director John McMahon, a career intelligence official.

McMAHON, in consultation with CIA general counsel Stanley Sporkin and his staff, will decide whether Casey should be excluded from making a decision.

Or they can tell Casey that one of his holdings will be affected by an upcoming decision and let him decide whether to divest the holding or to excuse himself from the matter.

Sporkin said he and McMahon would exclude Casey from decisions involving major holdings and offer him the choice

only when the holdings were very small. "I'm not going to let him get himself into trouble," Sporkin said.

Casey's predecessors, Stansfield Turner and George Bush, put their investments in blind trusts, which prevent an official from trading stock while in office.

Speaking for Casey, Sporkin said the decisions on Casey's 1981 oil stock sales were made entirely by Casey's investment adviser, Richard Cheswick, without any "direction by or consultation with Mr. Casey."

Casey sold about two-thirds of his oil holdings in 1981, with a net reduction in those stocks of between \$620,000 and \$1.4 million, according to his government financial disclosure statement.

The bulk of those sales came in his first four months at the CIA, after the stock prices had turned down but well before they hit bottom.

SPORKIN DISMISSED the possibility that information available to the CIA director might have influenced those stock sales. Sporkin said that if inside information had been used, the sales would have been much more "precipitous."

A Democrat on the Senate Intelligence Committee, who asked not to be identified, called the new screening system a "fig leaf" that would do little except waste the time of the CIA professionals who would monitor Casey's stock dealings.

And Bernhardt Wruble, a Washington attorney who headed the federal ethics office during the Carter administration, said the screening agreement is "not a terrible system, but there are some holes in it and it needs more work to make it effective."

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THE BALTIMORE SUN
8 JULY 1982

CIA watching Casey's stock transactions for signs of unfair gain

Washington (AP)—The Central Intelligence Agency has established a "screening arrangement" to keep tabs on Director William J. Casey's stock transactions and prevent him from official steps that would enhance his holdings.

The new system still allows Mr. Casey to buy or sell stocks at his discretion.

Critics called it a "fig leaf" that would waste officials' time and rest only on "somebody's gut response" rather than on written standards.

CIA officials said the new arrangement took effect May 28, after Mr. Casey reported selling more than \$600,000 in oil stocks in 1981, a year oil stock prices plummeted in response to a worldwide glut.

The CIA director, naturally, is among a handful of top officials with broad access to U.S. intelligence information, including secret estimates of world oil supplies. Mr. Casey is the only senior Reagan administration official with such access who neither set up a blind trust nor divested some of his holdings before taking office.

The new screening arrangement, which was approved by the Office of Government Ethics, requires that the deputy director and other senior CIA officials be furnished regularly with a list of Mr. Casey's stock transactions. Any of these officials who spots a potential conflict is to bring the matter to deputy director John McMahon, a career intelligence official.

Mr. McMahon, in consultation with CIA general counsel Stanley Sporkin and his staff, will decide whether Mr. Casey should be excluded from making a decision.

Or they can tell Mr. Casey that one of his holdings will be affected by an upcoming decision and let him decide whether to divest the holding or to excuse himself from the matter.

Mr. Sporkin said he and Mr. McMahon would exclude Mr. Casey from any decisions involving major holdings and offer him the choice only when the holdings were "small." "I'm not going to let him get himself into trouble," Mr. Sporkin said.

Mr. Casey's two predecessors at



DIRECTOR WILLIAM J. CASEY
... can still buy, sell at will

the CIA—Stansfield Turner and George Bush—put their investments in blind trusts, which prevent an official from trading stock while in office.

Mr. Sporkin described the new screening system "as good or better than a blind trust under the circumstances." He noted that Mr. Casey must disclose annually each of his stock trades, something he need not do with a blind trust.

But some senators and a Carter administration ethics adviser contend the new system provides little protection against the CIA director's misusing information for personal gain.

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Mr. Casey sold about two-thirds of his oil industry holdings in 1981, with a net reduction in those stocks of between \$600,000 and \$1 million.

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NEW YORK TIMES

8 JULY 1982

Screening System Is Set For Casey Stock Deals

WASHINGTON, July 7 (AP) — The Central Intelligence Agency has established a "screening arrangement" to keep track of the stock transactions of William J. Casey, the Director of Central Intelligence, and to prevent him from taking official steps that would enhance his holdings.

The new system still allows Mr. Casey to buy and sell stocks at his discretion.

Agency officials said the arrangement took effect May 28 after Mr. Casey reported selling more than \$600,000 in oil stocks in 1981, a year oil stock prices dropped greatly because of a worldwide glut of oil.

The Director is among a handful of top officials with broad access to American intelligence information, including secret estimates of world oil supplies. Mr. Casey is the only senior Reagan Administration official with such access who had neither set up a blind trust nor divested some of his holdings before taking office.

The screening arrangement, which was approved by the Office of Government Ethics, requires that John McMahon, who is the Deputy Director, and other senior intelligence agency officials be regularly furnished a list of Mr. Casey's stock transactions.

Any of these officials who sees a potential conflict is to tell Mr. McMahon, who in consultation with the agency's general counsel, Stanley Sporkin, will decide what action to take.

THE WASHINGTON POST
8 JULY 1982

CIA Establishes System to Monitor Casey's Stock Deals

Associated Press

The CIA has established a "screening arrangement" to keep tabs on Director William J. Casey's stock transactions and prevent him from official steps that would enhance his holdings.

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CIA officials said the new arrangement took effect May 28, after Casey reported selling more than \$600,000 in oil stocks in 1981, a year oil stock prices plummeted in response to a world-wide glut.

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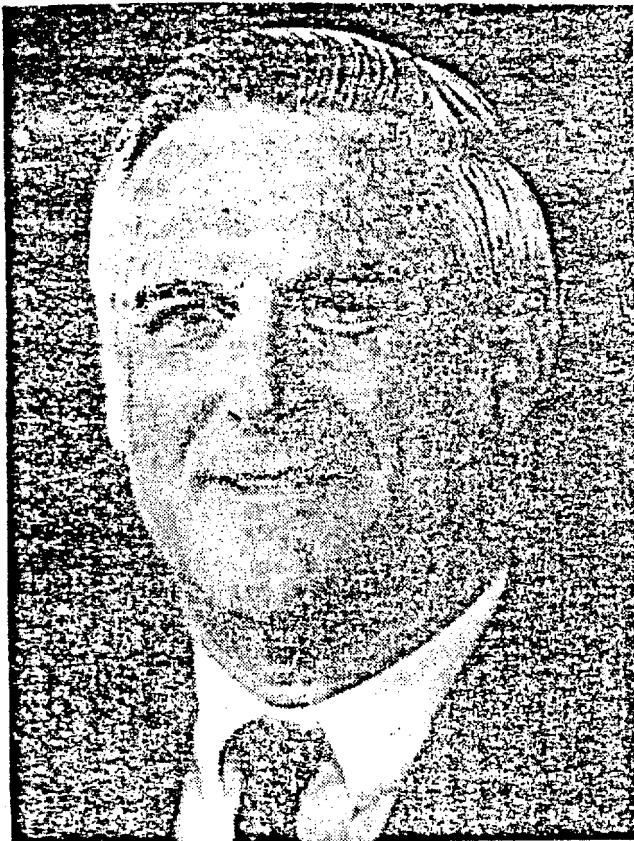
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**John McMahon,
No. 2 at the CIA**

On June 10, John N. McMahon, '51, was sworn in as deputy director of the Central Intelligence Agency, the No. 2 position behind William J. Casey, CIA director. McMahon had been nominated for the position by President Reagan on April 27.

On the day of his nomination McMahon was described in an article in The New York Times as the man who "probably knows more about the operations of the Central Intelligence Agency than anyone else in Government." A day earlier the Times had quoted Sen. Henry M. Jackson (Wash.-D) as saying that McMahon was a "first-rate pro, highly regarded." Sen. Daniel P. Moynihan (N.Y.-D), vice chairman of the Select Committee on Intelligence, was quoted in the same article as saying that McMahon "was the only, and I repeat, only, appointment I would have found acceptable." These and other informed individuals on Capitol Hill stressed the experience and skill that McMahon, a 52-year-old career officer who had spent 31 years with the CIA, could bring to the job.

In a recent telephone conversation, McMahon talked about his new position and his recollections of Holy Cross. "I originally came to Washington in the fall of 1951," he said, "to attend Georgetown Law School. But I also found that I wanted to eat, so I started working full-time evenings for the CIA. The strain of holding two full-time responsibilities was so great that I lost 25 pounds in a few months, so I abandoned law school and was assigned overseas in June 1952."

This assignment was the beginning of a brilliant career that has seen McMahon rise through the ranks, holding senior management posts in all four CIA directorates. In 1959 he returned from overseas to work on the U-2 spy plane program. In 1965 he was named deputy director of the Office of Special Projects, responsible for reconnaissance research and development and for technical operations. Six years later he became head of the Office of Electronic Intelligence, and in 1978 he was placed in charge of the agency's clandestine operations. On Jan. 4 of this year, Casey made him executive director, in charge of the day-to-day management of all CIA operations. Now, in his new position, McMahon says that he "wears two hats. One is for the CIA, and the other is for overall national intelligence, including the State Department and the military. I'm also in charge of fashioning a budget for all national intelligence programs. It keeps me busy for six days a week, plus a lot of catch-up reading on Sunday."

How has his present work been influenced by his Holy Cross education? "I feel," said McMahon, "that the training I got in the liberal arts helped me to understand people and human values, and taught me how to develop a logical argument. Someone once said that, to get along in this world, you not only have to have studied ancient Greek, but you have to have forgotten it."

In that case, McMahon may qualify, for he studied ancient Greek for two years, as well as Spanish for four and Latin for six, in the course of his prep school and college studies. Yet his major was English, although he remembers that "everyone at Holy Cross, in a sense, majored in philosophy, which was emphasized in all disciplines." He recalls with fondness the late Fr. James L. "Ma" Brennan, S.J., who "taught Shakespeare with such skill and made the characters come alive," and the late Fr. J. Gerard Mears, S.J., who taught English and art appreciation.

He also remembers that life was sometimes austere for the undergraduate of that day. "We lived three to a room, no telephone," he said, "with the shower at the end of the hall. There were two priests who functioned as prefects, and they conducted bed checks at 7 p.m. and 10:30 p.m., the first time to see if you were studying and the second time to see if you were in bed."

In particular he remembers Rev. Francis J. Hart, S.J., who was always a good friend of McMahon. "Fr. Hart officiated at my wedding," he said, "and has always remembered our wedding anniversary. I consider him an institution at Holy Cross, responsible for building gentlemen as well as scholars." Although McMahon has not returned to the College recently, it was Fr. Hart that he came to see on his last visit, 12 years ago, when McMahon was taking a business management course at Harvard.

From the perspective of his new position, what does McMahon see as the main threat to world peace? "Well," he said, "I think the Soviets are the greatest threat, because of their military power and their quickness to take advantage of instability in the third world in order to spread their way of life. But there are other threats. One is the growing economic pressures world-wide, causing difficulties in third-world countries as well as in the U.S., where our auto industry has been successfully challenged by Japan's. Another threat is the world-wide growth in technology (computers, micro-electronics, wearing apparel), which has resulted in much of our technology moving clandestinely to the USSR, thus saving the Russians years in research and development. The Russians also subscribe to all our patent and technical publications, which gives them another means of catching up to us quickly."

McMahon and his wife live in Bethesda, Md. They have four children, one daughter and three sons. Their daughter graduated from Boston College while the oldest son was admitted to Holy Cross but attended King's Point in preparation for a career in the Merchant Marines. Their third son graduated from the University of Maryland and their youngest will be entering the University of Maryland this fall.

William B. Sprout
Crossroads editor

NORWALK HOUR (CT)
30 June 1982

Straight Up and Candid

Norwalk's John McMahon is widely regarded as a sound choice for deputy director of the Central Intelligence Agency, a position for which he has been unanimously confirmed by the Senate. He is an able career intelligence officer, never overtly political.

It must be borne in mind, however, that during his 31 years with the CIA McMahon must have had something to do with agency operations which ranged from dubiously proper to the downright illegal. The extent of his involvement is not known. But many Americans surely will applaud Sen. Joseph Biden's admonition to McMahon as his nomination was approved. The Maryland senator warned the CIA's new number two man that there would be trouble were he not to remain "straight up and candid" in his future relations with Congress.

That is not at all a presumptuous warning; it springs from bitter experience. In years past the CIA has engaged in much borderline activity and sometimes clearly has gone over the border in exceeding its mandate, on occasion to the extent of plotting and making attempts on the lives of ruling figures abroad.

Fresh attention has been called to what was at least a borderline activity — the use of journalists to aid in various clandestine activities. The agency has for the first time outlined the extent of such practices in a statement filed as part of the settlement in a Freedom of Information Act lawsuit.

Obnoxious though it may seem, this practice — no longer sanctioned since adoption of a more restrictive policy in 1976 — was a comparatively minor breach.

Biden's admonition to McMahon was appropriate.